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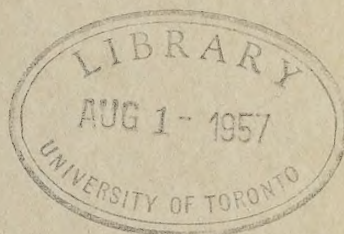
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ADVISORY BOARD
ON TARIFF AND TAXATION

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COAL and COKE



THE CROW'S NEST PASS COAL COMPANY
LIMITED

J. F. EDGAR,

Counsel



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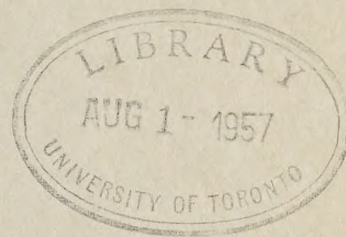
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COAL and COKE



THE CROW'S NEST PASS COAL COMPANY
LIMITED

J. F. EDGAR,
Counsel

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To The Advisory Board on Tariff and Taxation

Brief

Submitted on behalf of the CROW'S NEST PASS COAL COMPANY LIMITED of Fernie, British Columbia, carrying on the business of Coal Mining in what is known as the Crow's Nest District of that province.

We understand that the Honourable the Minister of Finance has directed the Board to inquire into and hear representations on all matters pertaining to the Tariff on Coal and Coke.

We propose to discuss the question as producers, and particularly as exporters, of these commodities. Although our interests are largely identical with those of the consumers: for reasons which we will give later, however, we will oppose any relief they now have, or may ask for, by way of rebate or drawback.

The District in which we are operating contains by far the most important known deposit of bituminous coal in Canada and, if only for that reason, we feel that what we shall have to say should receive serious attention.

Prior to the United States Tariff Act of 1922 we were more or less indifferent in regard to the customs duties on coal entering Canada, as for some years we had had free access to the markets of the United States, notwithstanding the fact that Canada had for many years imposed a duty on American coal coming into this Country. The duty imposed by Canada did not then affect the rate imposed by the United States. Now, however, the United States has declared that if any country imposes a duty on "Coal, anthracite, bituminous, culm, U. S. Tariff Act of 1922, Par. 1548.

slack and shale, coke, etc.," when imported from the United States, an equal duty shall be imposed upon such article coming into the United States from such country. Apart from this provision, coal is still upon the free list.

In view of this attitude of the United States, which is not an unreasonable one, we propose to urge upon the Government of Canada, through this Board, the advisability of entirely removing the duty on bituminous coal and slack and of retaining coke upon the free list.

CANADIAN TARIFF.

Under the Canadian Tariff coal is divided into three main classes, namely:— Anthracite, Bituminous and Lignite.

Item 586.	Anthracite and Lignite are on the free list.
Item 588.	Bituminous coal, including slack, is taxed as follows:—
R.S.C. C, 44, S. 5.	British Preferential 35c. per ton less 10%.
	Intermediate 45c. per ton.
	Maximum (applying to the United States.) 50c. per ton.
Item 586.	Coke is on the free list.

In order to shew the gross amounts and the relative importance of the various kinds of coal in international trade, we have taken the following figures from "Coal Statistics for Canada" for 1922, pages 22 and 23 and for 1926, pages 26, 27, 28, 29 and 30.

Anthracite coal exists in some parts of Canada but has not been mined to any appreciable extent and does not figure in the Export Trade.

Lignite is not exported at all and the imports are comparatively insignificant. It is mined fairly extensively for local domestic use.

?

Trade of Canada shows export of Canadian lignite -

	1926	1927
Tons -	15,249	27,782
#	49,057	83,902

3

EXPORTED. (Tons Short.)

Year	Anthracite	Bituminous	Lignite
1920		2,558,223	.....
1921		1,987,276	.....
1922		1,818,582 ✓	.....
1923		1,654,406 ✓	.....
1924		773,246 ✓	.....
1925		785,910 ✓	.....
1926		1,028,200 ✓	.....

IMPORTED FROM U.S.A. (Short Tons)

Year	Anthracite	Bituminous	Lignite
1920	4,912,964	15,902,632	.....
1921	4,567,370	13,536,250	.....
1922	2,514,249 ✓	10,924,045 ✓	.....
1923	4,906,222 ✓	17,248,298 ✓	2,331 ✓
1924	3,908,317 ✓	12,577,186 ✓	25,902 ✓
1925	3,249,497 ✓	12,957,765 ✓	18,368 ✓
1926	3,883,242 ✓	13,797,935 ✓	10,926 ✓

Bituminous Coal

PRINCIPAL PRODUCTIVE AREAS IN CANADA.

According to Coal Statistics for Canada, published by the Dominion Bureau of Statistics for the years 1922, 1924 and 1926, at pages 10, 9 and 12 respectively, the output of Bituminous coal from the three provinces of Nova Scotia, Alberta and British Columbia, from the years 1920 to 1926 inclusive, were as follows in short tons:—

Calendar Year	Nova Scotia	Alberta	British Columbia
1920	6,437,156	3,419,147	3,095,011
1921	5,734,928	2,867,833	2,890,291
1922	5,569,072	2,846,405	2,927,033
1923	6,597,838	3,243,803	2,823,306
1924	5,557,441 ✓	1,514,382 ✓	2,193,667 ✓
1925	3,842,978 ✓	2,145,635 ✓	2,742,252 ✓
1926	6,747,477 ✓	2,858,456 ✓	2,613,719 ✓

If anthracite, sub-bituminous and lignite coals were included in these figures, it would appear that Alberta alone produces more coal than Nova Scotia.

Coal has been mined in Nova Scotia for over a hundred years and great quantities have naturally been extracted in that time, but the Tariff we are dealing with is to affect the coal industry of the near future and will have no bearing upon the coal that has already been mined.

The coal to be considered is, we submit, what is actually in reserve waiting to be mined.

The amount of coal that has been taken out of any particular section of the country in the past has little or no bearing on the present problem, because that particular reserve has to that extent been exhausted and, in all probability, in the older areas, the coal that remains (except in the case of pillars that can be drawn) is less accessible and more costly to mine than that which has been taken out. In this connection, it is important to point out that the Crow's Nest District of British Columbia is one of the last coal areas to be opened up in Canada.

While coal that has been mined is out of the question, we also submit that probable and possible reserves do not concern us at the present time, as they can be considered when, if ever, they are brought within the category of actual reserves.

ACTUAL RESERVES.

We respectfully submit to the Board that the first consideration is to ascertain in which parts of Canada are to be found the most important accessible actual reserves of Bituminous coal at the present time, and that the Tariff should be so framed as to encourage, and not hamper, the development of the coal industry in those sections. If any one section is found to be overwhelmingly important, due weight should be given to that fact.

The Canada Year Book (1927-28) at page 381 gives a table of the coal resources of Canada by Provinces and Classes

of Coal. The table shews "Actual Reserves" and "Probable Reserves." We submit that actual reserves are all that we are immediately concerned with. While there are probable reserves in New Brunswick of bituminous coal and actual reserves of lignite in both Saskatchewan and Alberta, as well as large probable reserves of bituminous coal in the latter Province, the only Provinces, according to the Year Book, in which there are any actual reserves of bituminous coal are,— Nova Scotia, Alberta, and British Columbia:—

The quantities given in Tons are:—

Nova Scotia	2,188,151,000	✓
Alberta	3,223,800,000	✓
British Columbia (anthracite and bituminous)	23,771,242,000	✓

It will be noticed that the figures given for British Columbia include some anthracite.

This is explained in a table appearing in "Coal Fields and Coal Resources of Canada," issued by the Canadian Department of Mines, at page 105. It appears that the only actual reserve of anthracite in British Columbia is included in a reserve of 6,900,000 tons in the Queen Charlotte Islands. Appendix A.

This latter table also sets out the location in British Columbia of the actual reserves of bituminous coal, by which it appears that of these the Southern Interior contains 22,586,342,000 Metric Tons—A reference to Page 121 of the same volume shews that this enormous actual reserve is all contained in the Crow's Nest District. Appendix A.

Leaving out millions and dealing only with billions, the actual reserves of bituminous coal in different parts of Canada are:—

Nova Scotia	2	Billion tons.
Alberta	3	" "
Crow's Nest District of B. C.	22	" "
Vancouver Island	1	" "

It would take an output of 22 million tons a year for 1000 years to exhaust the actual reserve of bituminous coal in the Crow's Nest District.

We are not overlooking the fact that in Alberta there is an enormous quantity of bituminous coal in the probable reserve; yet, we submit, that for practical purposes, in determining questions of tariff for the immediate future, these probable reserves need not be taken into consideration.

In Nova Scotia the bulk of the reserve is under sea and the winning of a large part of it is problematical. The pillars supporting the roof form a large percentage of this reserve and, judging from the results at Port Hood, it is a question to what extent these pillars can be drawn and made available.

Appendix A.

"Coal Fields and coal Resources of Canada" sets out the reserves in more detail, and discriminates between the different grades of bituminous coal. It appears by these tables that the whole of the actual reserve in the Crow's Nest District is of the higher grade of bituminous coal.

As this is the most important enquiry that has ever taken place in Canada in regard to coal duties, it is likely that the legislation following this enquiry will, for years to come, settle the principles on which the coal duties will be framed. As one of the greatest, if not the greatest, producing area of bituminous coal in Canada in the near future should be the Crow's Nest District, particularly if tariff restrictions are removed, we submit that a tariff on coal should be so framed that its interests will not be sacrificed.

EXPORT TRADE.

A map published by the Geological Survey of the United States, to which we beg leave to refer, shews in a graphic way the distribution of the various coal fields in that country and indicates by colours the various grades of coal from anthracite to lignite. Bituminous coal is divided into high grade and low grade according to its B.T.U. on air dried sample. Bituminous coal with a B.T.U. of 12,500 or more is classified as high grade bituminous, and with a B.T.U. of less than 12,500 as low grade bituminous.

According to this map there appears to be very little high grade bituminous coal in the Western half of the United States, and none whatever on the Pacific or Atlantic Coast, or in the North Western section, excepting small areas in the States of Washington, Southern Idaho, and Western Wyoming. The great mass of it lies to the South and South West of the Great Lakes, and is usually known as the "Competitive Field." The great industrial centres of both the United States and Canada have grown up within easy access of these great deposits, and are mainly, if not entirely, due to their existence.

High grade bituminous coal, according to the above standard, is produced in Nova Scotia, in parts of Alberta, in the Crow's Nest District and Vancouver Island in British Columbia. In dealing with the question of coal it has to be borne in mind that it is bulky freight, and every mile of distance it has to be transported adds to its cost to the consumer. All these places that we have mentioned are at the best strategic points for supplying those portions of the United States not conveniently situated to be served economically by their own great high grade areas. The Canadian producers' opportunity to supply these portions of the United States is limited only by their power to keep down their cost of extraction.

Nova Scotia can reach the New England and Eastern States by water, the cheapest of all methods of transportation.

Coal from Alberta and the Crow's Nest District of British Columbia can serve the North Western States and the Northern Middle West until it meets the coal coming west from the great competitive field.

Vancouver Island has practically a monopoly on the whole Pacific Coast by way of the sea.

The tests for B.T.U. of the coals in various parts of Canada are to be found in "Coal Fields and Coal Resources of Canada" published in 1915 by the Canadian Geological Survey.

We might point out that the coals we are now mining in the Crow's Nest District vary in British Thermal Units from about 13,800 to 15,000.

The Crow's Nest District has not the advantage of being on the sea, but is served by two lines of railway, the Canadian Pacific and the Great Northern, both entering the United States, the latter being an American Road.

South Eastern British Columbia, and South Western Alberta are at present sparsely settled, so that we have little or no market in our immediate vicinity in Canada. Consequently, in order to reach customers in this country, we are compelled to ship hundreds of miles by rail. There is, however, south of the international boundary, a fairly large and increasing population, which we can reach by rail on a reasonably short haul. The combined population of Washington, Oregon, Idaho, and Montana is, as a matter of fact, nearly four million at the present time. In Appendix B. we give the figures of the official census over a period of years for the United States as a whole and for these four States in particular, by which it will appear that the rate of increase of these States is vastly greater than that of the country as a whole.

Prior to September 1922, when the United States Act known as the Fordney Tariff came into force, Canada had for many years imposed a duty on bituminous coal, while our coal for some years had been admitted free into the United States. Congress, however, in the Fordney Act put the onus on Canada of deciding what the Tariff on coal should be between the two countries.

This is how the United States Act of 1922 deals with the question.—

U. S. Tariff
1922 Par. 1548.

Under Title II. (being the free list.)
Par. 1548.

Coal, anthracite, bituminous, culm, slack, and shale; coke; compositions used for fuel in which coal or coal dust is the component material of chief value, whether in briquettes or other form:

Provided: That if any country, dependency, province or other subdivision of government imposes a duty on any article specified in this paragraph, when imported from the United States, an equal duty shall be imposed upon such article coming into the United States from such country, dependency, province, or other subdivision of government.

Under the Canadian Tariff all anthracite and coke are free, therefore there is no duty upon these specific articles entering the United States. Lignite and sub-bituminous Coal not being specified in this paragraph, come under paragraph 1619 and are free of duty entering the United States. A letter to this effect from the Bureau of Customs at Washington appears in Appendix C.

U. S. Tariff
1922 Par. 1619.
Appendix ~~1619~~

On bituminous coal and slack, the Canadian duty from the United States is 50c. per ton.

There are certain rebates or draw-backs given by Canada, which we will refer to later, but we wish to point out here that there is no provision for similar rebates or draw-backs in the United States Tariff. The result is that there is a duty on all Canadian bituminous coal and slack going into the United States of 50c. a ton.

Items 1019
and 1049.

There are many factors entering into the price of coal in various parts of both countries, but distance from the mine to the consumer, in other words, freight rates have a definite and very important bearing.

While there is in the Crow's Nest District this large deposit of high grade coal and comparatively little in the north western states across the border, it does not follow that we are entirely free from competition and that the people of these states must buy our coal in spite of the duty.

The coal from the Crow's Nest District of British Columbia has to meet the following competition in the United States. (1) Fuel oil, which has for some years been extensively used on the railways.

(2) High grade bituminous coal from the small areas operating in the States of Washington, Southern Idaho and Western Wyoming.

(3) As we go East, we meet the coal from the great eastern competitive field coming from the head of the Lakes.

(4) Low grade coal in the States of Washington, Idaho and Montana.

(5) Water-power.

This competition, always, of course, having regard to freight rates, determines the price at which we must sell our coal in the United States if we wish to do any business in that country at all.

On top of all these elements of competition, which we have in common with American Mines, we are now handicapped with a duty of 50c. per ton. In tendering for business a few cents per ton in a large contract may be a deciding factor. It is obvious that 50c. a ton is an almost insurmountable barrier in securing business. That it has proved such a barrier will appear from the figures we are about to submit to the Board.

This duty, considered in connection with the element of freight rates, necessarily circumscribes the area in the United States in which we can do business, as 50c. will carry a ton of coal many miles, particularly at the end of a long haul.

The wonder is, not that we should have done so little business, but that we should have been able to do any business at all in the United States since the Fordney Act came into force.

In order to shew the practical effect of the Fordney Act on the Canadian Exports of Coal, we give figures for a few years preceding and a few years after the coming into force of that Tariff. The Act came into force on September 22nd, 1922, the day following its passage. American customs officers were not informed of the application of its coal duties

to Canada until sometime later. The new duties did not have their full effect immediately for the following reasons;—Existing time contracts had to be carried out. In the case of the railways where fuel oil is a great competitive factor, the imposition of the duty decided them to substitute oil for coal to a greater extent; but it took a certain length of time to make the necessary alterations in the locomotives to change them from coal-burners to oil-burners. Besides, trade channels, once established, have a tendency to persist for a time even under adverse conditions. The full effect of the change however, appears in 1924.

First we give figures for the total Exports of Canadian Coal taken from "Coal Statistics for Canada" for the Calendar Year 1926, at Page 17.

EXPORTS OF CANADIAN COAL 1921-1926.

Calendar Year	Short Tons	Value
1921	1,987,251	\$13,896,370
1922	1,818,582	11,159,060
1923	1,654,406	10,661,399
1924	773,246	4,836,848
1925	785,910	4,329,173
1926	1,028,200	5,739,436

The drop in exports, however, appears to be more marked when we refer to the statistics of exports by destination. We will give the figures for the same years, which are taken from "Coal Statistics for Canada" for the years 1922, 1924 and 1926, at pages 15, 16 and 18 respectively.

The following table, when compared with the last, shews the relative importance of the United States market in our export trade both before and after the change of duty.

EXPORTS OF CANADIAN COAL TO UNITED STATES.

1921—1926.

Calendar Year	Short Tons	Value
1921	1,124,277	\$6,879,119
1922	1,419,786	8,252,995
1923	1,072,011	6,486,977

1924	308,448	1,853,991
1925	451,082	2,148,933
1926	404,134	1,950,992

The figures we have given above relate to Canada as a whole.

We wish particularly to point out to the Board the enormous importance of the United States market to the coal industry of British Columbia and to this Company in particular. The figures we give below shew the relative importance of the Canadian and the United States markets, both before and after the Fordney Tariff came into force.

The following table we have prepared for the whole of British Columbia from "Coal Statistics for Canada" issued by the Dominion Bureau of Statistics for the years 1922, 1924 and 1926. The figures given are in short tons:—

BRITISH COLUMBIA.

Calendar Year	Output	Shipped	Exported
1921	2,890,291 (a)	2,286,226 (b)	1,182,496 (a)
1922	2,927,033 (a)	2,389,143 (b)	1,047,430 (a)
1923	2,823,306 (a)	2,227,293 (c)	838,017 (a)
1924	2,193,667 (a)	1,734,144 (c)	383,135 (a)
1925	2,742,252 (d)	2,174,764 (e) ✓	507,543 (d)
1926	2,613,719 (d)	2,036,490 (e) ✓	431,071 (d)

- (a) Coal Statistics for Canada. 1924 page 90.
- (b) Coal Statistics for Canada. 1922 page 90.
- (c) Coal Statistics for Canada. 1924 page 87.
- (d) Coal Statistics for Canada. 1926 page 100.
- (e) Coal Statistics for Canada. 1926 pages 14 & 15.

The information in regard to exports was obtained by the Bureau of Statistics from Customs returns, and it appears that there was a certain amount of Alberta coal cleared through the British Columbia customs offices at Fernie and Cranbrook.

The disastrous effect of the Fordney Tariff is apparent from the drop in exports shortly after it came into force. The change of tariff came in September 1922; in 1923 the exports

kept up to some extent for the reasons already given; but after that came the inevitable drop, which was reflected in the output. In 1924 there was a strike in the Crow's Nest District and Alberta, which, to some extent, accounts for the low figures for both Canadian and export trade, but 1925 and 1926 were normal years.

Generally speaking, before the Fordney Tariff, about half the coal shipped was exported, and now only about one-quarter.

The figures given above, are for the whole of British Columbia; but what follows shews the effect of the Tariff on those districts of British Columbia which are most interested in the export trade, and which are the great producing areas of that Province. Serious as the loss is to the Island Collieries, it is much more serious for the Crow's Nest District, as these figures will shew.

In the Report on the Coal Trade of Canada for the year ending March 31st, 1918, published by the Bureau of Statistics, the following information is given at page IX. In submitting these figures, however, we should point out that this was a war year, and conditions were not normal, as many of the miners had enlisted for over seas service and munition work did not increase the demand in the west as it did in the east. We give the figures because they shew the relative importance of the United States market.

"From the collieries of Vancouver Island, the output for the year was 1,899,207 net tons distributed as follows:—

Sold as Coal in Canada	824,969 tons.
Sold as Coal in the United States	576,697 tons.
Sold in other Countries	42,796 tons.

Coming to the East Kootenay field, which includes the Crow's Nest District, the figures show that the United States acquires a large bulk of the output from these mines, namely:—

Sold as Coal in Canada	82,653 tons.
Sold as Coal in the United States	253,958 tons.

out of a total of 617,961 tons. In addition to the foregoing 278,589 tons were used in the Province for the manufacture of coke."

We now beg to submit to the Board the comparative figures for the Calendar years 1918 to 1927 inclusive, shewing the amount of coal in tons sold in Canada and the amount sold in the United States by this Company for each of these years.

COAL SHIPPED BY CROW'S NEST PASS COAL COMPANY.
1918—1927.

Calendar year	Sold in Canada	Shipped to the United States	
1918	52,038	308,157	} No duty until Sept. 21st, 1922.
1919	44,562	348,845	
1920	148,850	457,628	
1921	95,724	508,815	
1922	140,763	328,178	
1923	256,254	356,238	} 14c. on slack, 53c. on bituminous coal.
1924	136,867	57,725	
1925	437,963	251,251	} March 25/25 50c. per ton on all bituminous coal, including slack.
1926	411,598	196,598	
1927	400,383	268,294	

The year 1924 was the year of a long strike, so that there was a great diminution in all our shipments that year, but the proportions indicated are important. These figures do not include the coal that was turned into coke.

Perhaps the greatest trade revival and industrial progress in the history of both countries has taken place in the last three or four years. Canada as a whole has probably made greater progress than the United States as a whole, but we have no doubt that the four states in which we are particularly interested have kept pace with Canada. We have reaped the benefit of the good times in Canada as these figures shew; but we cannot conceive of anything but the duty of 50c. a ton

which has prevented us from participating in the trade revival of the United States to an equal degree. We meet the same kind of competition in Canada as in the United States with the additional very serious competition of natural gas in the Calgary District. There is also much more competition with other Canadian coal from mines more conveniently situated than ours for supplying the Canadian market.

Our average yearly sales in Canada for the five years 1918 to 1922 inclusive were 96,387 tons, and the average for the same period in the United States was 390,324 tons, over four times as much. On the other hand, for the three years 1925, 1926 and 1927, our average yearly sales in Canada were 416,648 tons, while our average yearly sales in the United States were only 238,714 tons. If we had kept up the ratio of the five years before the change of Tariff, and there is no reason, except for the duty, that we should not have done so, our average annual sales to the United States for the last three years would have been four times the Canadian average, or 1,666,592 tons. Our average yearly sales in both countries combined should be, were it not for the duty, 2,083,240 tons, instead of 655,362 as they now are.

We have dealt with this question from the standpoint of the exporter and have shewn how seriously the export of coal is handicapped by the tariff barrier between Canada and the United States. We have also shewn that it is in Canada's power to remove that barrier.

The consumers' interests have also to be considered.

We think that we can safely assume that they are in favour of the removal of a tax which adds 50c. a ton to the price of all imported bituminous coal, whether for use as domestic fuel or in the production of power. A tax on the source of power seems to be inconsistent with the spirit of our tariff, which, as far as possible, admits freely material and implements used in the production of wealth.

It is unfortunate that Providence has not provided Central Canada with deposits of coal within its borders, but it has provided coal within a few hundred miles to the south. Duty or no duty, the people of that part of Canada do and must depend upon that source of supply.

It is true that large amounts of money or money's worth are sent out of the country every year to purchase this coal, and large sums of money are paid to our Government every year by way of duty for the privilege. In spite of this, people buy the coal because they need it and must have it. It is worth more to those who buy it than the money they pay for it; otherwise they would not buy it. Most of it, in the case of bituminous coal, is used in the production of other wealth and by the railways for transportation. Every additional dollar paid in duty adds to the cost of production and transportation.

Appendix D.

Central Canada is, in spite of the duty, buying its coal in the United States. We could, were it not for the duty, offset this by selling our coal in the East and West to the people of that country. The balance of trade in coal would then, to a great and increasing extent, be adjusted.

As we have pointed out before, the reserves of coal, particularly in the Crow's Nest District, are practically unlimited and no question could arise of our "selling our heritage to the United States". As a matter of fact at the present time the converse is the case, particularly in regard to anthracite.

Coke

The manufacture of coke is a very valuable adjunct to a coal mine. In the Crows' Nest District there are a number of different seams being worked, each with coal of different chemical and physical characteristics. Most of the coal will coke, but some will not. Some coals will produce a coke suitable for metallurgical purposes, others, a coke better adapted for domestic use. This Company is fortunate in having coals that produce both metallurgical and domestic coke.

Canada has not a monopoly, however, of coking coals in the West, as reasonably good coking coals are found in the States of Washington, Montana and Texas. Coking coals are also known to exist in Wyoming.

With this competition we have always had a fair proportion of the coke business in the North Western States and are not afraid of their competition in Canada.

When the production of coke was first undertaken in the Crow's Nest Pass area, the metal mining industry was in a very flourishing condition throughout British Columbia and Montana, and the practice of smelting was almost entirely by the use of coke in furnaces. To take care of the demands of the British Columbia smelters at Nelson, Greenwood, Grand Forks, Marysville and Trail, as well as to cater to the demands of the smelters at Butte, Great Falls and Anaconda, Montana, and Tacoma, Wn. in the United States, this Company undertook the construction of 1180 beehive coke ovens capable of producing 1450 tons of coke daily. Of late years a number of these smelters have been dismantled, and the others have to a large extent turned to concentration and electrolytic methods of treatment, resulting in a decrease in the demand for coke which may be shown as follows:—

	Average annual production of coke.
For 9 years, 1904 to 1910 incl. and 1912 and 1913—(1911 eliminated a/c mines idle April to Nov.)	239,285 tons.
For 9 years, 1919 to 1927 incl.	70,801 tons.

The average annual exports of coke by this Company for the two periods in question amounted to 61,788 tons and 21,972 tons respectively.

Another reason for the decrease in our coke business is, that by-product ovens and retort gas generating plants are being installed in various centres of population for which the mines supply the coal in its natural state. Where formerly we sold coke we are now selling coal to be made into coke. While less coke may be used by the smelters, more and more is being used as a domestic fuel. The actual total consumption of coke is now greater than in the past, but it is by-product oven coke and domestic coke from gas plants that is taking the place of coke from bee-hive ovens.

A table appears in "Statistical Abstract of the United States" at page 729, which shews the increase in the amount of coke produced in by-product ovens, and the decrease in that produced in bee-hive ovens.

We give the years 1915 and 1926 for comparison:

By-product ovens in 1000 of tons.

1915	14,073	1926	44,377
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Bee-hive ovens in 1000 of tons.

1915	27,508	1926	11,486
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The total tonnage in 1000 of tons for these two years were:—

1915	41,581
1926	55,863

It thus appears that the use of coke is increasing, but its method of production changing.

We wish to point out here why we have adopted the bee-hive instead of the by-product coke ovens.

The smelter trade coke requirements being of a very irregular nature, fluctuate from a few tons to a maximum demand of several hundred tons per day. This irregular de-

mand makes it almost impossible to maintain by-product ovens at a reasonable operating expense in good working order. In addition to this, a by-product oven cannot be economically operated unless there is a market for surplus gas. We have no such market at the present time.

There is but little difference between the quality of beehive oven coke and by-product oven coke for general smelting or foundry purposes.

By-product coke ovens, are better adapted by their construction for making the classes of coke that are used in the domestic trade, providing for more varied air-feed regulation, etc., thereby allowing for the better control and retention of definite percentages of volatile matter in the coke. Besides, some coals which would not make good metallurgical coke could be used in a by-product oven for the production of domestic coke.

The details shewing the number of tons of coke produced by this Company consumed in Canada and exported to the United States from 1918 to 1927 inclusive, are as follows:—

	Consumed in Canada	Exported
1918	165,388	19,614
1919	54,875	9,110
1920	40,103	35,524
1921	46,904	20,265
1922	28,831	17,386
1923	38,997	26,392
1924	25,409	9,219
1925	59,557	24,543
1926	73,743	29,448
1927	70,297	25,860
	<hr/> 604,104	<hr/> 217,361

By these figures it will be seen that considerably over one-quarter of our output of coke is exported.

A duty on coke would mean the cutting off of practically the whole of the export business, as we could not then compete

in price with the coke that is produced in the States of Washington and Montana. This would render idle a number of our coke ovens and would reduce the amount of coal mined for use in the coke ovens.

We would suffer an indirect loss from the fact that the more orders for coke we have, the more screened or lump coal we have to dispose of, as we can always use the screenings or slack for the production of coke. Screened coal brings a better price than run-of-mine, and, in fact, many of our orders call for screened coal.

In the event of a duty being imposed on coke, which, of course, would be reciprocal, we would suffer in the following ways:—

Loss of profit on sales of coke.

Loss of upkeep of idle coke ovens.

Loss of production of the coal that would be turned into coke, and

Loss of difference of price between screened coal and run-of-mine.

Draw-Backs

The duty on bituminous coal is either for the purpose of revenue or protection.

Speaking for our District, we do not need the protection, nor do we ask for it, in fact, rather than a protection to us, it is a handicap.

If, however, the duty is for the purpose of raising a revenue, then, we submit, if there must be a revenue raised on coal, which we do not advocate, it should be placed on anthracite instead of bituminous, as there is no anthracite exported from Canada to be affected by the reciprocal clause in the Fordney Tariff; besides, anthracite coal is not used in industry to the same extent as bituminous coal. See appendix D. for a table of the uses of coal in the United States. We have not been able to find any statistics of the same kind prepared for Canada, but probably the proportions will be very much the same in both countries.

Appendix D.

In either case, whether the duty is imposed for the purpose of revenue or protection, or both, it fails in its object by reason of the draw-backs and rebates given, by which important home markets are lost to the producers, and sources of revenue are lost to the treasury.

This Company produces coal suitable for both metallurgical and domestic coke. While we are in a position to make metallurgical coke and, to a certain extent, domestic coke, we do not operate by-product coke ovens. By-product ovens should be in the centre of an urban population for the disposal of the resultant gas, and should be surrounded by an agricultural population within easy reach, educated in the use and value of the by-product ammonium sulphate as a fertilizer. Neither of these conditions exist about Fernie. Our object is to sell coal to those who are in a better position to operate by-product ovens.

We had a good market in the United States for coal to be used for that purpose. Since the Fordney reciprocal tariff

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came into effect, we have endeavoured to have our coal admitted to the United States subject to a draw-back, in view of the fact that a similar draw-back is given under our tariff on American coal. This however, was not permitted under the terms of the Fordney Act.

On the other hand, we would have a better market for our coking coal in Canada if it were not for the draw-back given on the importation of American coal.

We thus suffer all the evils of the tariff and yet obtain none of the benefits. We are restricted in the Canadian market by the draw-back and, conversely, we are restricted in the United States market for lack of the same draw-back.

Undoubtedly the tendency is towards the use of by-product coke ovens, as we have shewn in the figures previously given under the heading of coke.

The coke business is changing. The demand is increasing, but not for smelting purposes. We do not complain if we are given a fair chance to supply our coal to those in a better position to make coke in by-product ovens. Our nearest and obvious market is in the United States and this is denied us by the duty.

As bituminous slack is what is principally used for the manufacture of coke, we would respectfully submit that, instead of a rebate or draw-back for the benefit of coke producers, it would give the same relief, and at the same time permit Canadian slack to enter the United States free of duty, if the duty, which was raised from 14c. to 50c. in 1925 were entirely removed.

If the free export of bituminous slack were permitted, it would, as we have pointed out, be of indirect benefit to coal producers as well, as they would be able to dispose of more slack, particularly slack that is more suitable for domestic than metallurgical coke, and consequently have more screened coal for sale.

We could never understand why a duty is first imposed on bituminous coal and then removed by way of draw-back; this very fact in itself is evidence that the duty is unreasonable and unsound.

First; a draw-back is given of 99% in favour of propriet- Item 1010.
ors of Smelting Works when converted at their works into coke for smelting metals from ore, then, when used for the melting of metals, and finally, in favour of proprietors of by- Item 1049.
product coke ovens.

There is no reason why these particular consumers should be favoured, as there are others, we submit, who are just as deserving, if we consider the uses of bituminous coal as shewn in Appendix D.

Appendix D.

We respectfully submit that, instead of allowing a draw-back in favour of these various classes of consumers—and such others as may from time to time be added to the list—it would be better to give the benefit to all consumers of bituminous coal at one stroke, all of whom, we submit, are just as worthy of consideration as those already favoured, by removing entirely the duty upon bituminous coal and slack.

CONCLUSION.

The facts we have brought to the attention of the Board, we feel sure, have never been laid before the Government at any time in the past. If they had been, and if the Government had been made aware of, or had realized the great importance of the Crows' Nest District as a coal producing area, and its enormous interest in the United States market, we are convinced that they would not have permitted the present international duty on bituminous coal and slack to continue.

For the last few years we have had to struggle against adverse tariff conditions, as the facts prove. We have, it is true, increased our Canadian business owing to better times, but we should have increased our American business in the same

ratio. We have a market at our very door and the significant fact is, that Canada holds the key to that door. We do not ask for any favours, but we do object to so severe a penalty being imposed upon us for no good reason. We have simply set out incontrovertible facts, which all point to the removal of the duty. We submit that *prima facie* there should be no duty on coal and that the onus of proving why the duty should be continued is upon those who are advocating it.

We therefore hope that we have made clear to the Board the serious effect a duty has upon the operations of the most important coal area in Canada, and that a report will be made to the Minister of Finance giving due weight to our representations.

We submit, in the interest of the country as a whole:-

1. That the duty on bituminous coal be abolished.
2. That the duty on bituminous slack be abolished.
3. That coke be continued on the free list.
4. In any event, that all draw-backs be abolished.

While we believe that we have presented the most important facts bearing upon this reference, we ask the indulgence of the Board to permit us to file such further and other material as we may be advised, and as may seem necessary during the course of the reference and in reply to those who may be opposed to us.

J. F. EDGAR,
Counsel.

Toronto, September 6th, 1928.

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